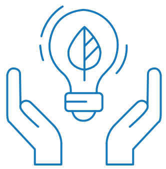
Morgan Stanley

INSTITUTE FOR SUSTAINABLE INVESTING

Sustainable Signals

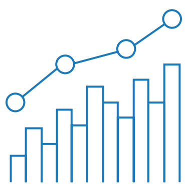
CORPORATES 2025

Key Takeaways for 2025



1 Value creation remains key focus for corporates, delivery on sustainability strategies continues

88% of companies globally see sustainability as a value creation opportunity, up three points from our 2024 survey. Progress continues on the delivery of sustainability strategies, with 65% saying they are “meeting” or “exceeding expectations”—an increase of six points.

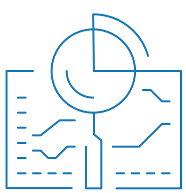


2 Investment needs still high, but returns are quantifiable

High investment needs again top the list of challenges, with 24% naming this in their top three barriers to delivering on their sustainability strategies. Uncertainties over the political, macroeconomic and regulatory outlook are close behind (each around 15%). While investment in sustainability may compete with other capital allocation priorities, companies say the returns on this investment (ROI) can be quantified: more than 80% measure ROI for sustainability-related capex,* R&D and opex** just as they do for other investments.

3 More than half of companies surveyed have experienced business impact from physical climate events in the past year

57% of companies surveyed say events like extreme heat or storms have impacted operations in the past year, rising to 73% in APAC. Over the next five years, more than two-thirds believe that physical and transition risks from climate could impact demand, costs, investment needs and relationships with investors, with these concerns notably highest in North America. Companies are preparing to meet these challenges: 80% feel “very” or “somewhat prepared” to increase resilience.



4 Next five years: Profitability drives, costs weigh, tech enables

25% see higher profitability as their top opportunity from sustainability in the next five years, followed by higher revenue growth, a lower cost of capital, greater visibility over cash flows and reduced capital intensity. Echoing our 2024 findings, cost concerns remain top of mind, with just over half of companies citing them as their biggest challenge. When asked about key enablers for delivering on their sustainability strategies, a third of corporates name technological advancements in their top three, followed closely by a favorable economic environment and growing demand.

*Capex refers to capital expenditure, or a company’s spending on long-term assets. **Opex refers to operating expenses, or the day-to-day costs incurred by business operations.

About the Sustainable Signals Series

This is the second edition of the "Sustainable Signals: Corporates" survey, which is designed to measure the views of corporates on sustainability strategy. This report is led by the Morgan Stanley Institute for Sustainable Investing ("Institute") and presents results from an online survey of corporates conducted by Dynata LLC on behalf of the Institute.

From March 17 to April 11, 2025, a sample of 336 sustainability decision makers at public and private companies were surveyed across North America, Europe and Asia Pacific (APAC), comparable with the 2024 survey. An additional 101 across the Middle East (MENA) and Latin America (LATAM) were added for the first time this year, although these responses are not included in the global number in order to maintain comparability with last year's survey. To qualify, respondents had to:

- Self-identify as one of the main decision-makers or as someone who contributes to sustainability decision making at their company;
- Agree that they could share information about their company's sustainability strategy;
- Represent a company with at least $100m in annual revenue, in North America, Europe and APAC, or at least $1m in annual revenue for MENA and LATAM.

TERMINOLOGY

The following definitions of "ESG" and "sustainable investing" were provided to respondents:

'ESG' is the practice of considering environmental, social and governance aspects when investing in companies or funds.

'Sustainable investing' is the practice of making investments in companies or funds that aim to achieve market-rate financial returns while considering positive social and/or environmental outcomes.

METHODOLOGY

As with any survey, eliminating all potential bias is impossible. As in the prior year survey, **answers to some questions suggest that there may be exclusion or representation bias due to the requirement that respondents be sustainability decision makers**, potentially skewing the sample towards companies that prioritize sustainability. For example, zero respondents have no sustainability strategy and have no plans to create one, down from 1% in the prior year. As such, it is important to frame these survey responses as reflecting a set of corporates engaged with sustainability, rather than representative of corporates overall.

DATA SOURCE

The source for all charts is the survey unless otherwise indicated. To obtain a range of responses, quotas were applied for publicly listed companies, their annual revenue and GICS® sectors. For more information on the sample profile and quotas, please see page page 29 in Sample Design.

CONTACT US

For any questions related to the report, please reach out to the Institute for Sustainable Investing team at **globalsustainability@morganstanley.com**.

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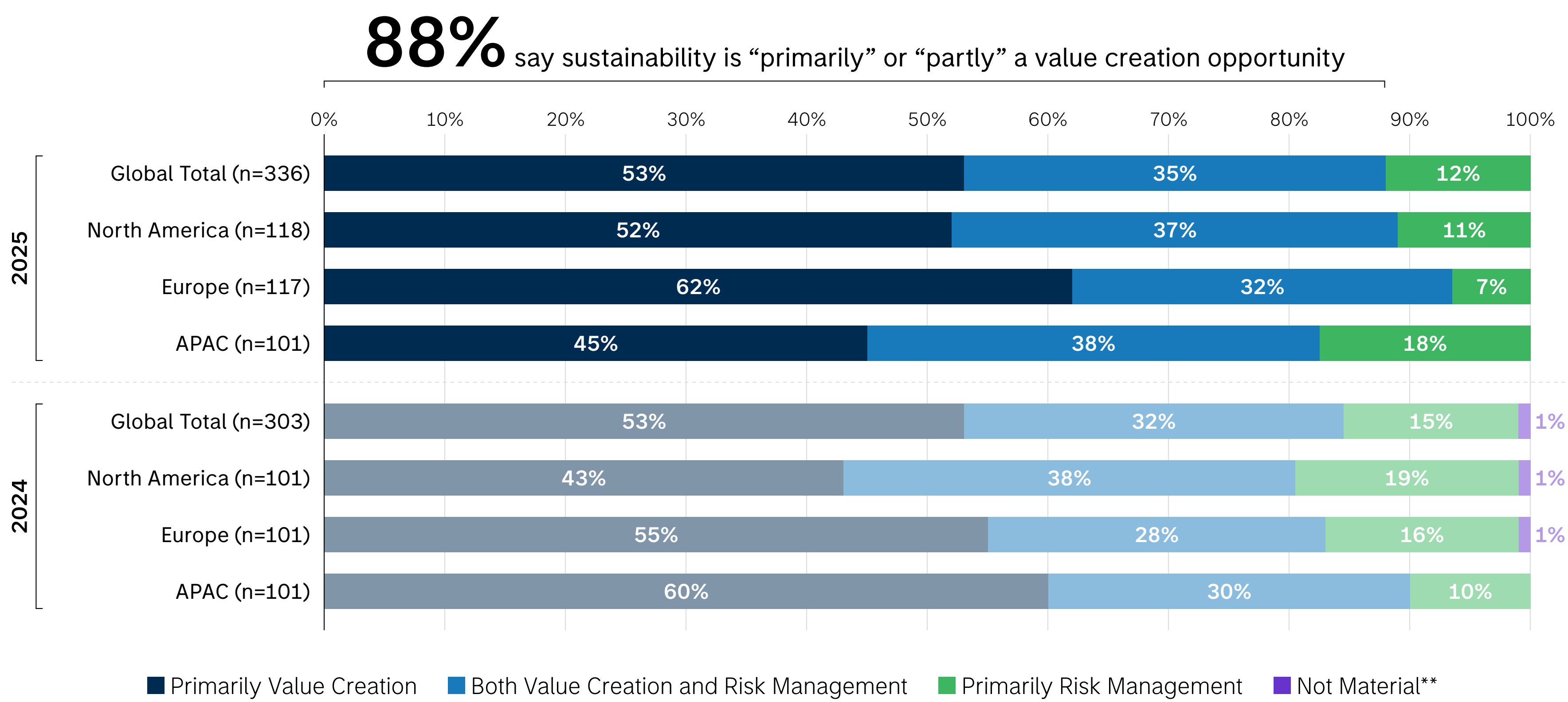
Sustainability and Corporate Strategy

For 88% of companies, sustainability is a value creation opportunity

88% of companies see sustainability as "primarily" (53%) or "partly" (35%) a value creation opportunity, an increase of three percentage points from our 2024 survey. North America and Europe respondents reported a larger increase, up nine and ten points respectively. This increase was partly offset by a shift away from value creation in APAC, where 18% of companies now see sustainability as primarily about risk management, compared to 10% in 2024.

How does sustainability and/or ESG impact your long-term* corporate strategy?



Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.
*Long-term is defined as 5 years and longer. **Not material had zero responses in 2025.

Views on value creation vary widely by industry, with some significant changes from last year

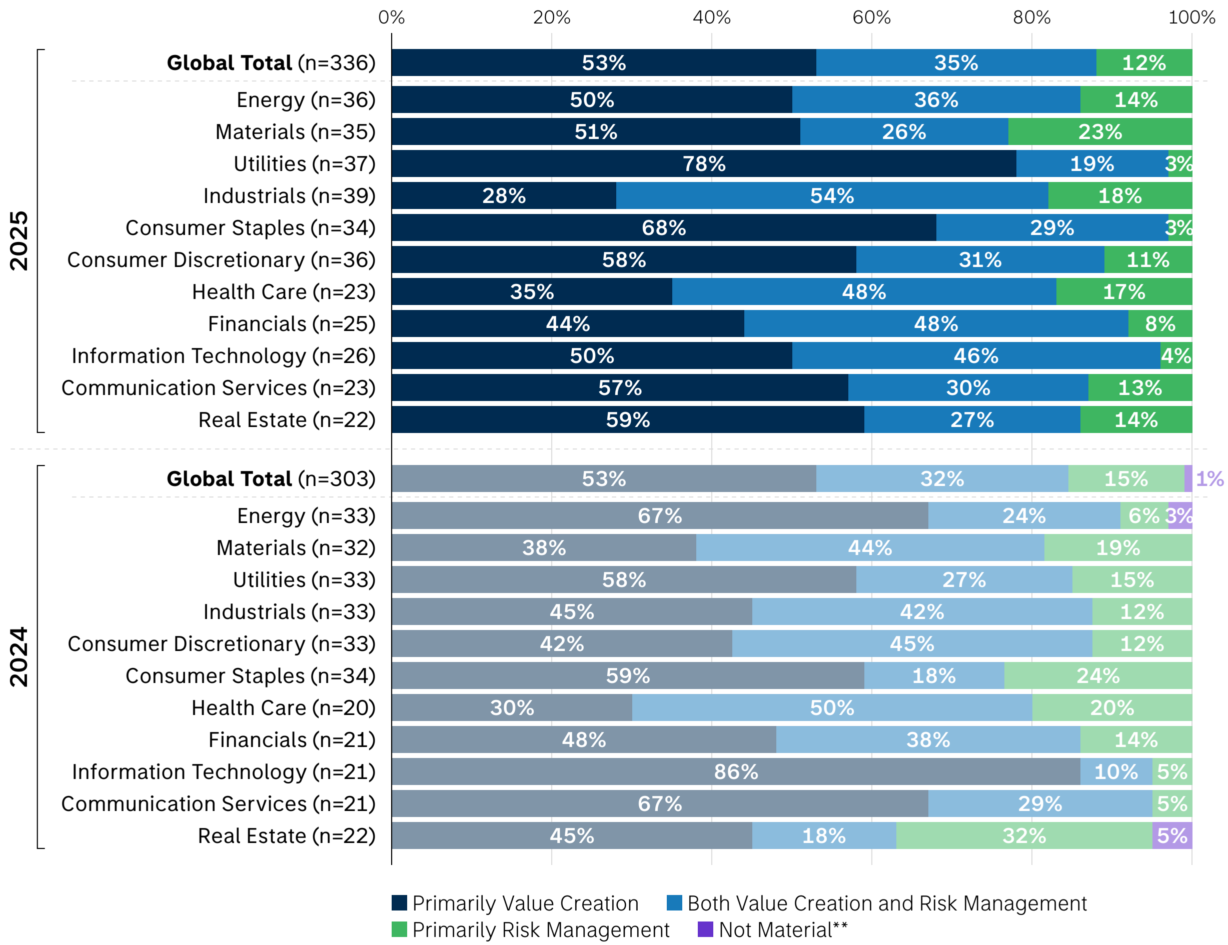
SOME INDUSTRIES ARE SHIFTING TOWARDS VALUE CREATION

More **Utilities** companies now see sustainability as primarily about value creation (78% in 2025, up from 58% in 2024). **Consumer Staples** (68%, up from 59%), **Real Estate** (59%, up from 45%), **Consumer Discretionary** (58%, up from 42%) and **Materials** (51%, up from 38%) report a similar shift. **Financials** now put both value creation and risk management at 48%, up from 38%, with a shift away from risk management only.

OTHERS ARE SHIFTING TOWARDS RISK MANAGEMENT

Information Technology companies are more likely to see sustainability as a combination of value creation and risk management this year, at 46% (up from 10%), shifting away from primarily value creation. **Industrials** companies (54%, up from 42%), and **Energy** companies (36%, up from 24%) also report this shift, although to a lesser degree. 13% of **Communication Services** respondents report primarily risk management, up from 5%.

How does sustainability and/or ESG impact your long-term corporate strategy?

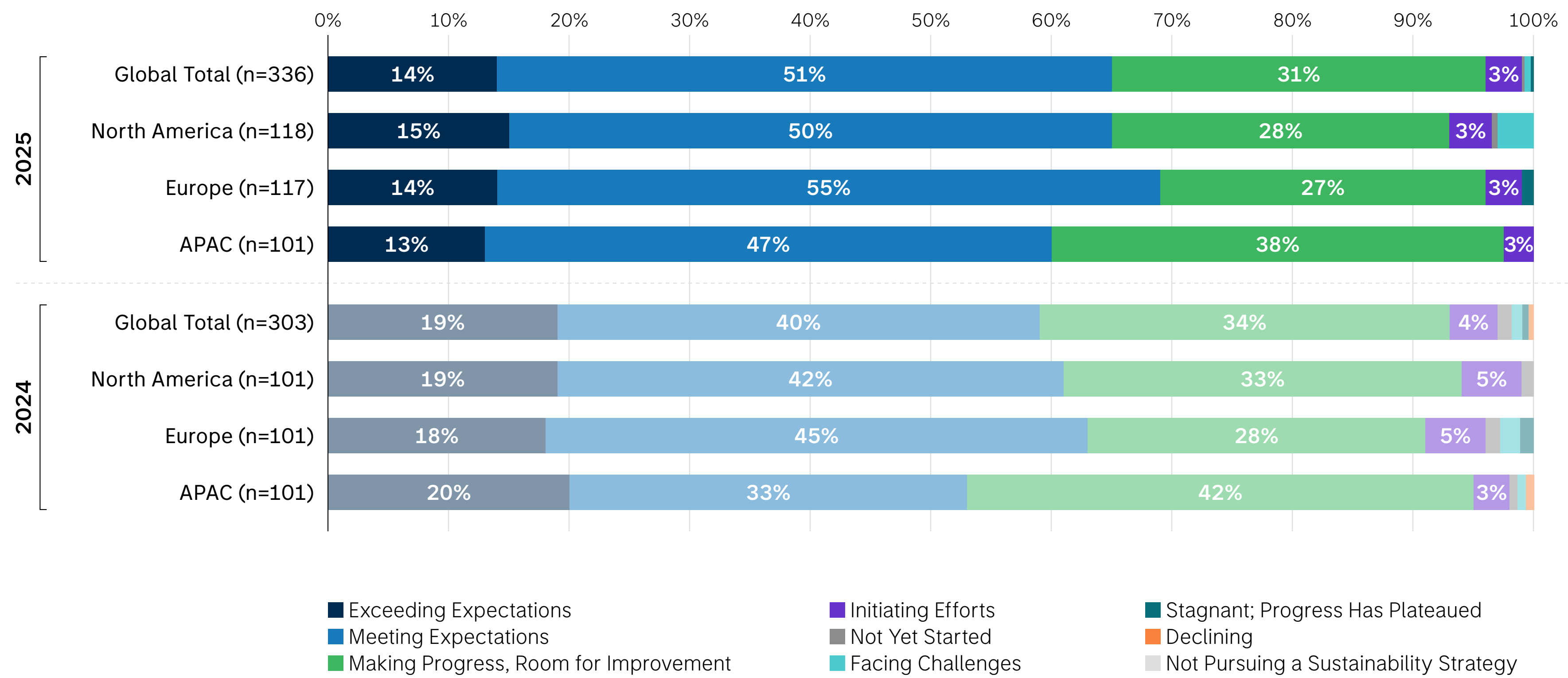


Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.
*Long-term is defined as 5 years and longer. **Not material had zero responses in 2025. Health Care responses were similar year over year.

Two-thirds believe they are “meeting” or “exceeding expectations” on their sustainability strategy, an increase of six points from 2024

When asked to describe progress on their sustainability strategy, 65% of companies say they are “meeting” or “exceeding expectations,” up from 59% in 2024. APAC respondents noted the strongest progress year over year, with 60% “meeting” or “exceeding expectations” in 2025 compared to 53% in 2024.

How would you describe the progress on your company’s sustainability/ESG strategy or practices?

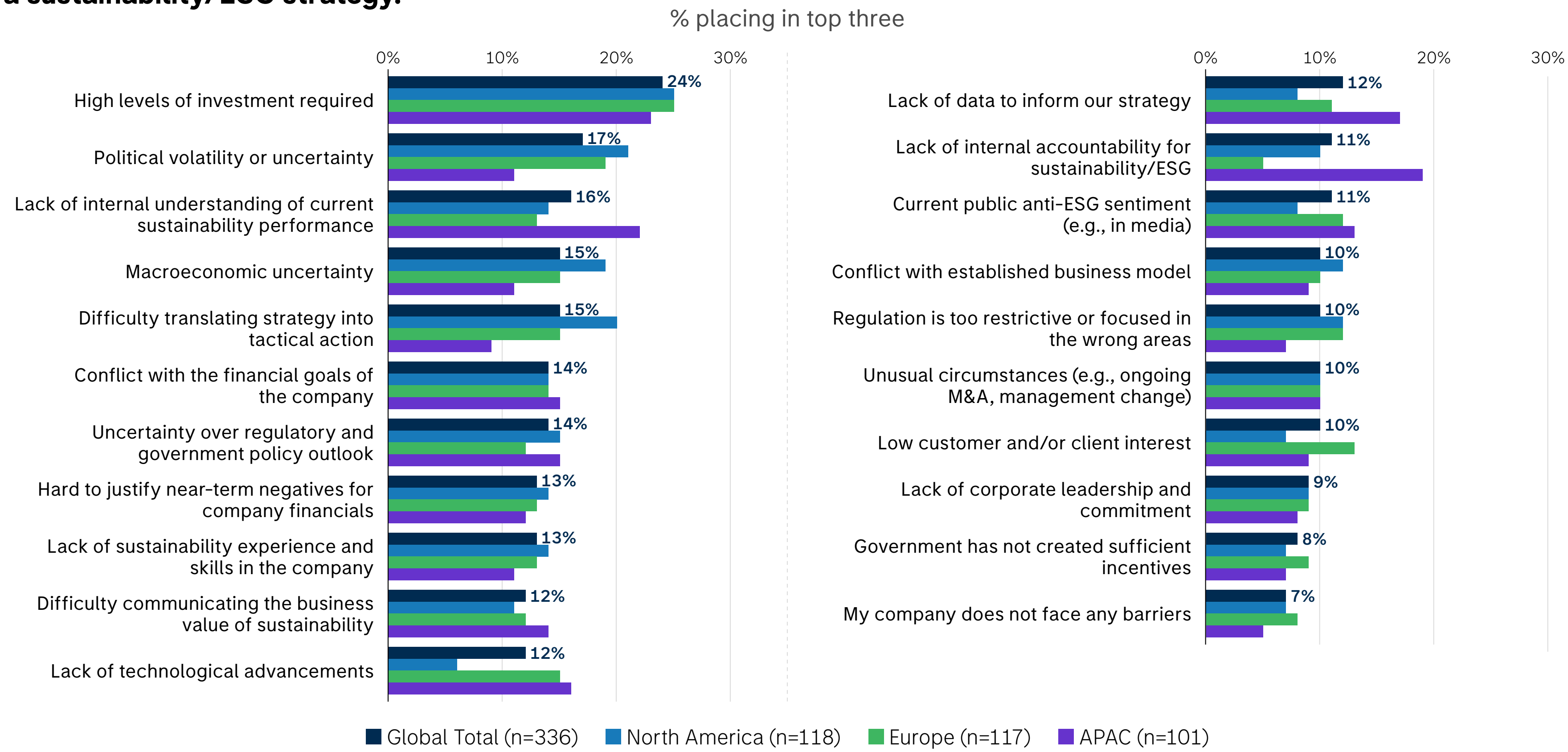


Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.

High investment needs remains the top barrier to delivering sustainability strategy

As in our 2024 survey, companies continue to say the top barrier to delivering their sustainability strategy is the high level of investment required. In 2025, 24% of companies globally placed investment in the top three barriers, followed by political and macroeconomic uncertainties (17% globally, 21% in North America), and challenges understanding their current sustainability performance (16% globally, 22% in APAC).

Please select up to three of the top barriers your company currently faces delivering on or implementing a sustainability/ESG strategy.



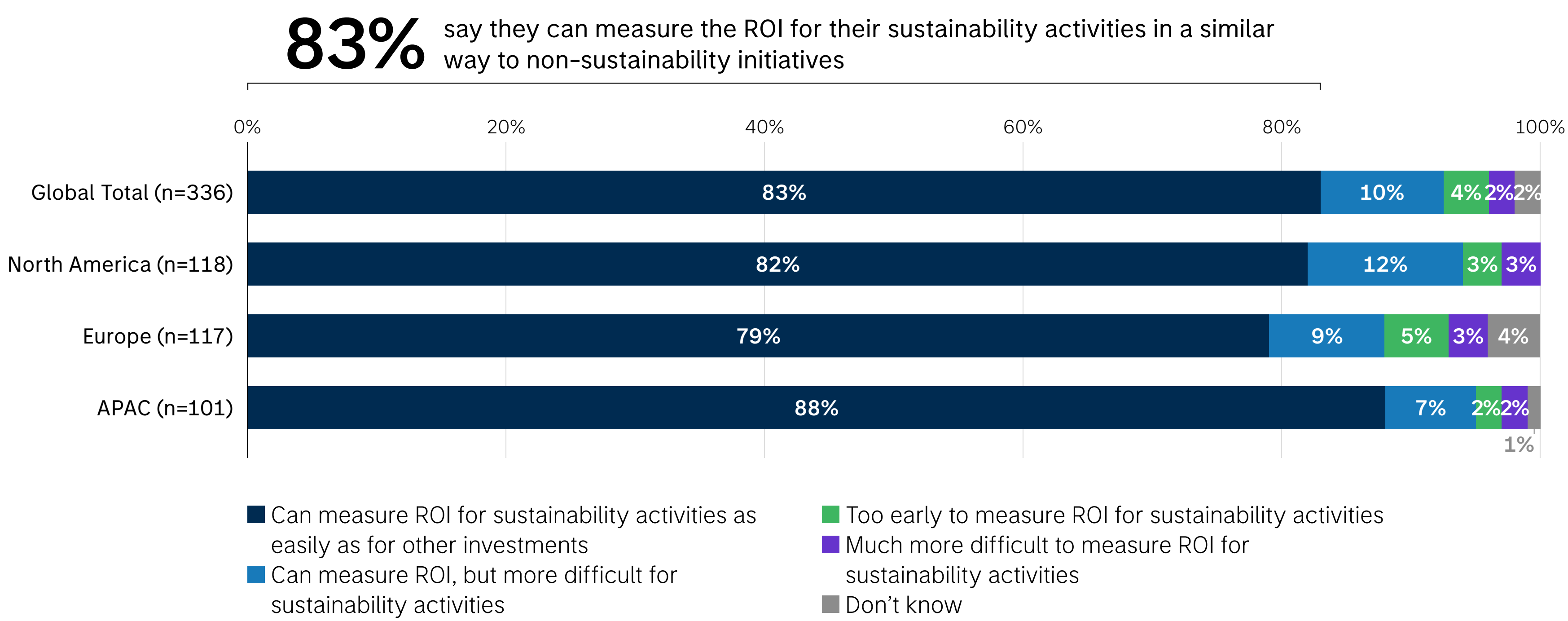
Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025. This question was phrased differently in the 2024 survey, so direct comparisons of percentages are not meaningful.

Most companies can measure returns on sustainability-related investment

While high investment requirements may lead sustainability initiatives to compete with other capital allocation priorities, most companies report they can quantify the returns on these investments.

Globally, 83% say they can measure the return on investment (ROI) for their sustainability activities in a similar way to non-sustainability initiatives. Only 10% report some difficulties, and just 2% say it is much more difficult.

Thinking about measuring your company's return on investment (ROI) for sustainability activities, please select the most relevant option below.



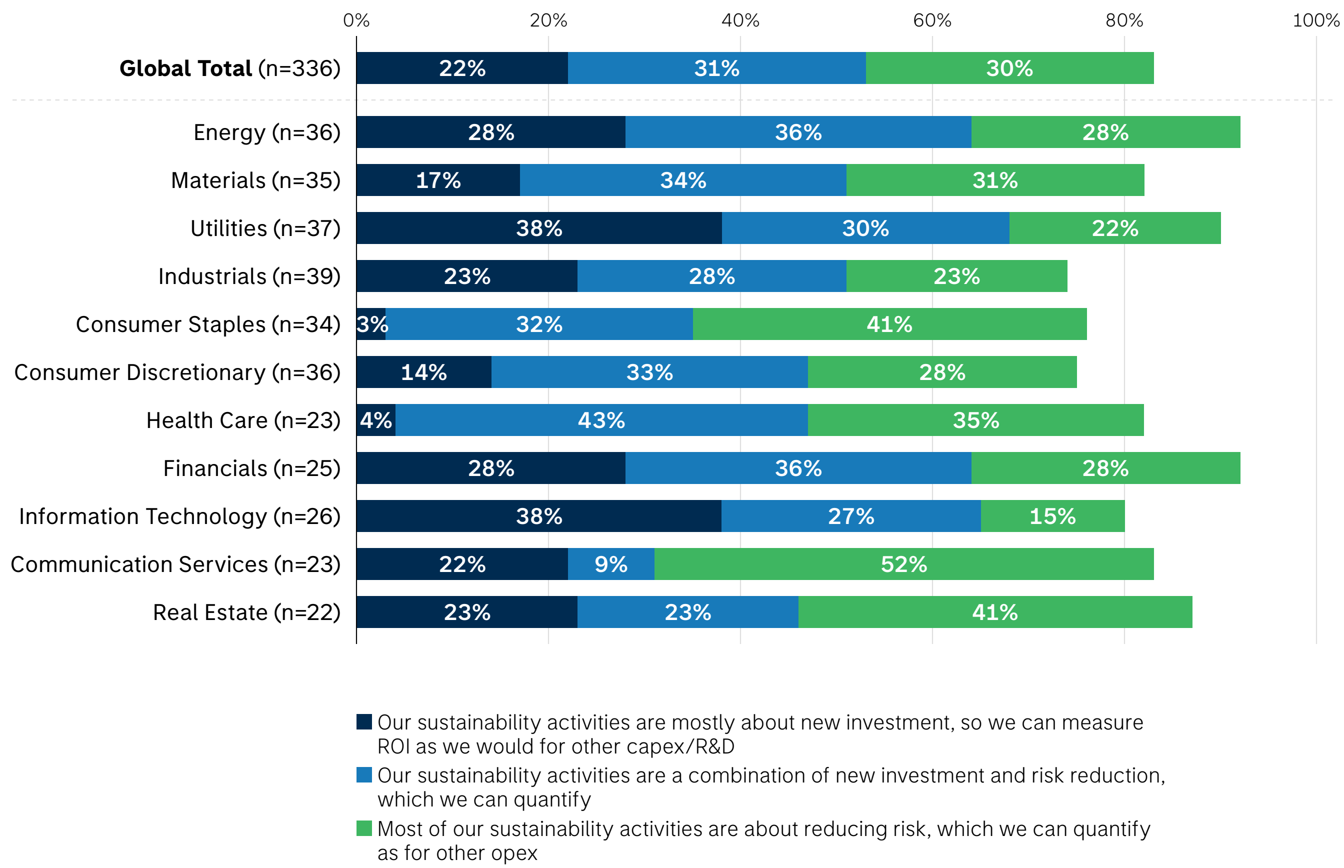
Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.

Sustainability investments are split fairly evenly between capex/R&D for new projects and opex for risk reduction

Looking in more detail at how companies measure returns on sustainability-related investments, there is a fairly even split between new projects and risk reduction activities. Specifically, 22% say their sustainability investments mostly focus on capex/R&D for new projects, while another 30% point to opex for risk reduction. Another 31% say they pursue a combination of the two.

For **Utilities** and **Information Technology**, sustainability investment is most likely to be capex/R&D for new projects (both 38%), while for **Communication Services** (52%), **Real Estate** (41%) and **Consumer Staples** (41%), it is most likely to be opex for risk reduction.

Thinking about measuring your company's return on investment (ROI) for sustainability activities, please select the most relevant option below.



Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.
The three bars on this page sum to the "Can measure ROI as easily as for other investments" bar on the prior page.

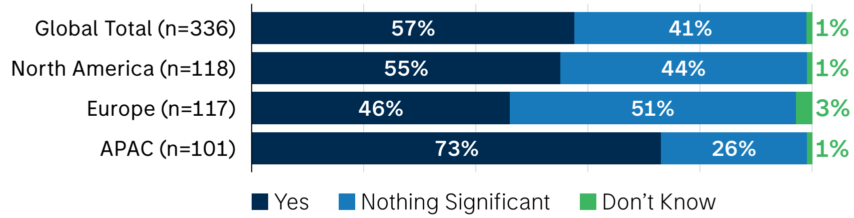
How Climate is Impacting Corporates

Over half of companies report that their business was impacted by climate-related events in the past year, increasing costs

57% of companies experienced an impact on their operations from climate-related events in the past year, with APAC companies citing a much higher incidence (73%). Extreme heat was the most common, named by 55% of those who saw any impact (65% in APAC). Extreme weather or storms rank second (53%) and are the most common in North America (57%).

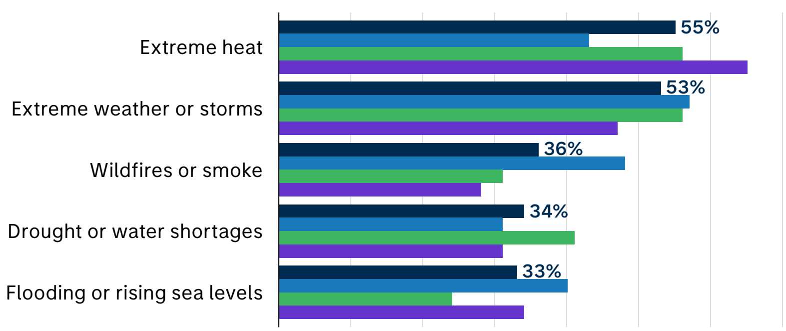
Increased costs are the most common way that businesses are impacted (54%), followed by worker disruption (40%) and revenue losses (39%).

Has your company experienced any climate-related events in the last 12 months that have impacted your operations or business?



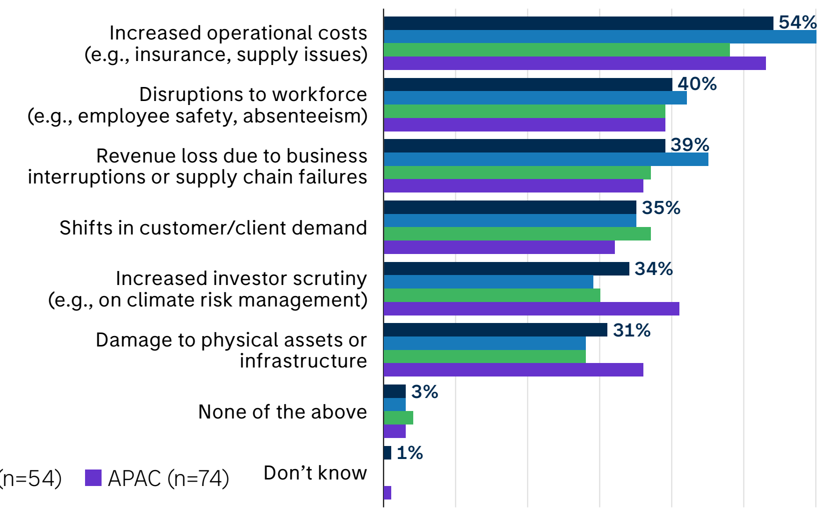
Has your company experienced any climate-related events in the last 12 months that have impacted your operations or business?

Those who have experienced impact



How have these severe weather events due to climate change impacted your operations or business in the last 12 months?

Those who have experienced impact



Global Total (n=193) North America (n=65) Europe (n=54) APAC (n=74)

Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025. Numbers may not add due to rounding.

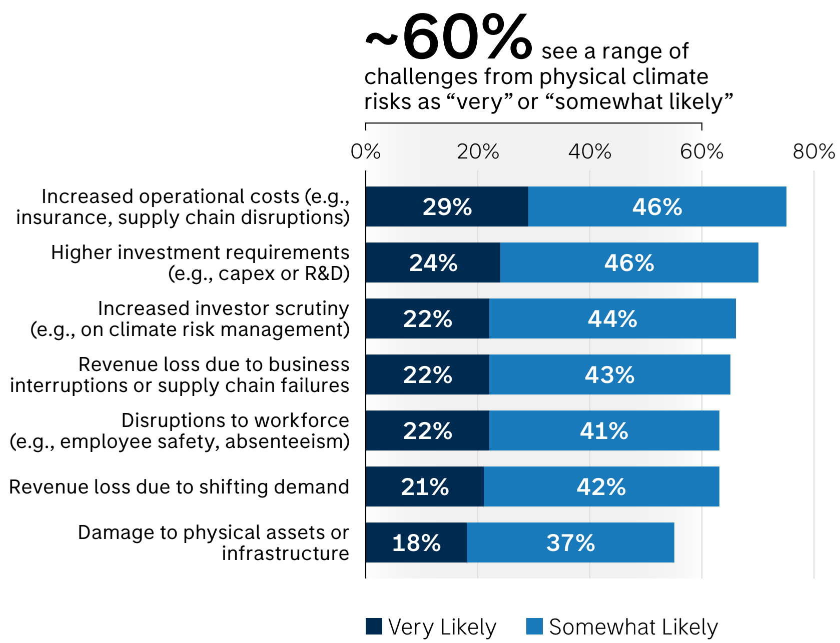
Around 60% anticipate negative impact from physical climate risks in the next five years; over 80% feel prepared to increase resilience

Three-quarters anticipate increased operating costs, followed by higher investment requirements (69%) and increased investor scrutiny (66%).

Around one-third of companies say they are "very prepared" to increase resilience against climate-related events across four different areas, with a further half saying they are "somewhat prepared."

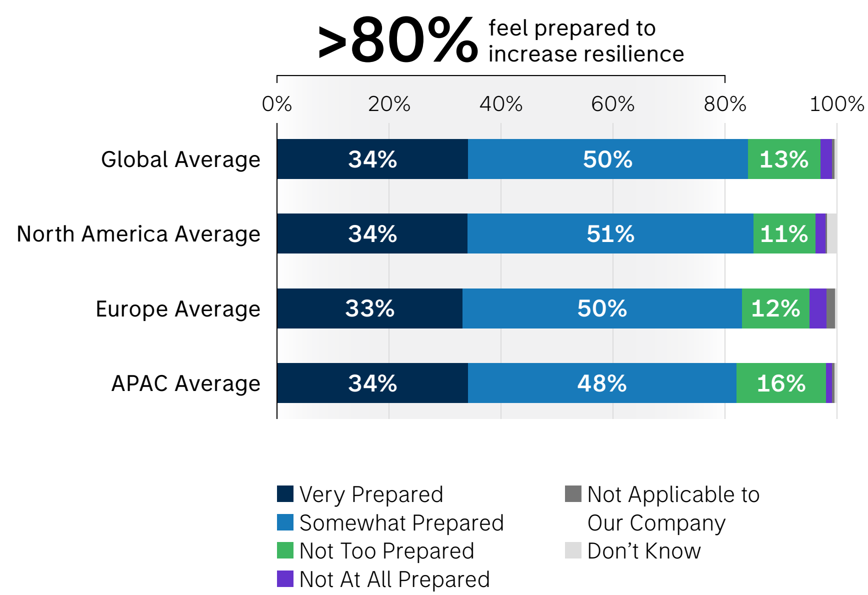
In the next five years, how likely is it that physical climate risks will negatively impact your operations or business in the following ways?

Global Total (n=336)



How prepared do you believe your company is in the following ways to increase its resilience against climate-related events?*

Infrastructure & Physical Resilience • Supply Chain Adaptation
Financial Risk Management • Employee & Community Preparedness



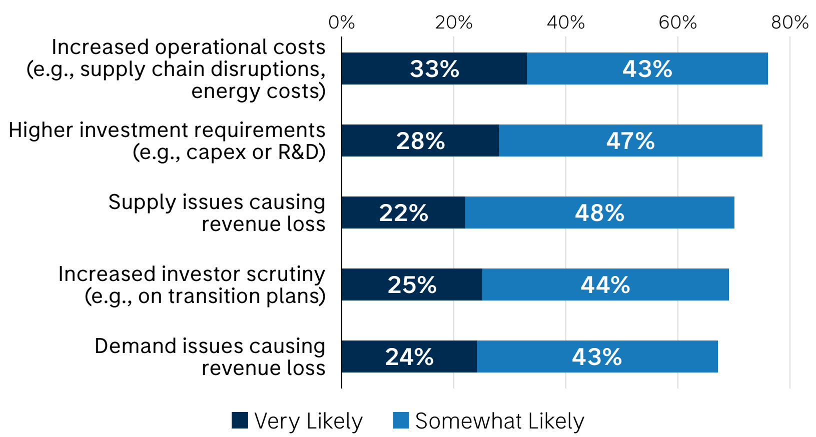
Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.
*Responses were very similar across the four areas we asked about, so responses are presented as an average. See page 32 for the full definitions provided in the survey.

Climate transition risks could also impact businesses, with the likelihood seen at a similar rate to physical climate risks

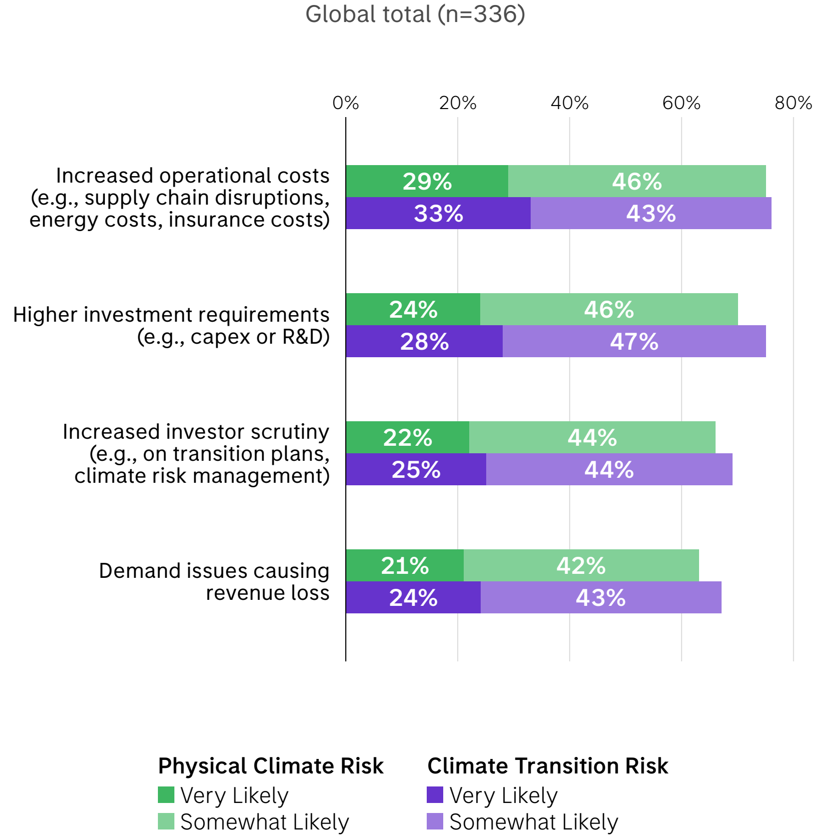
Between two-thirds and three-quarters of companies see their business impacted by a range of climate transition risks in the next five years. As with physical risks, increased costs are viewed as the most likely transition risk, with 33% seeing it as "very likely" and 43% as "somewhat likely."

Companies report similar expectations around how physical and transition risks could impact their business. Climate transition risks are ranked a little more likely, by between two and six points for each of the comparable risks.

In the next five years, how likely is it that climate transition risks will negatively impact your operations or business in the following ways?



In the next five years, how likely is it that climate-related events or climate transition risks will negatively impact your operations or business in the following ways?



Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.
Climate transition risks were defined as "policy changes, market shifts, technological disruptions, and evolving investor and consumer expectations arising from the energy transition."

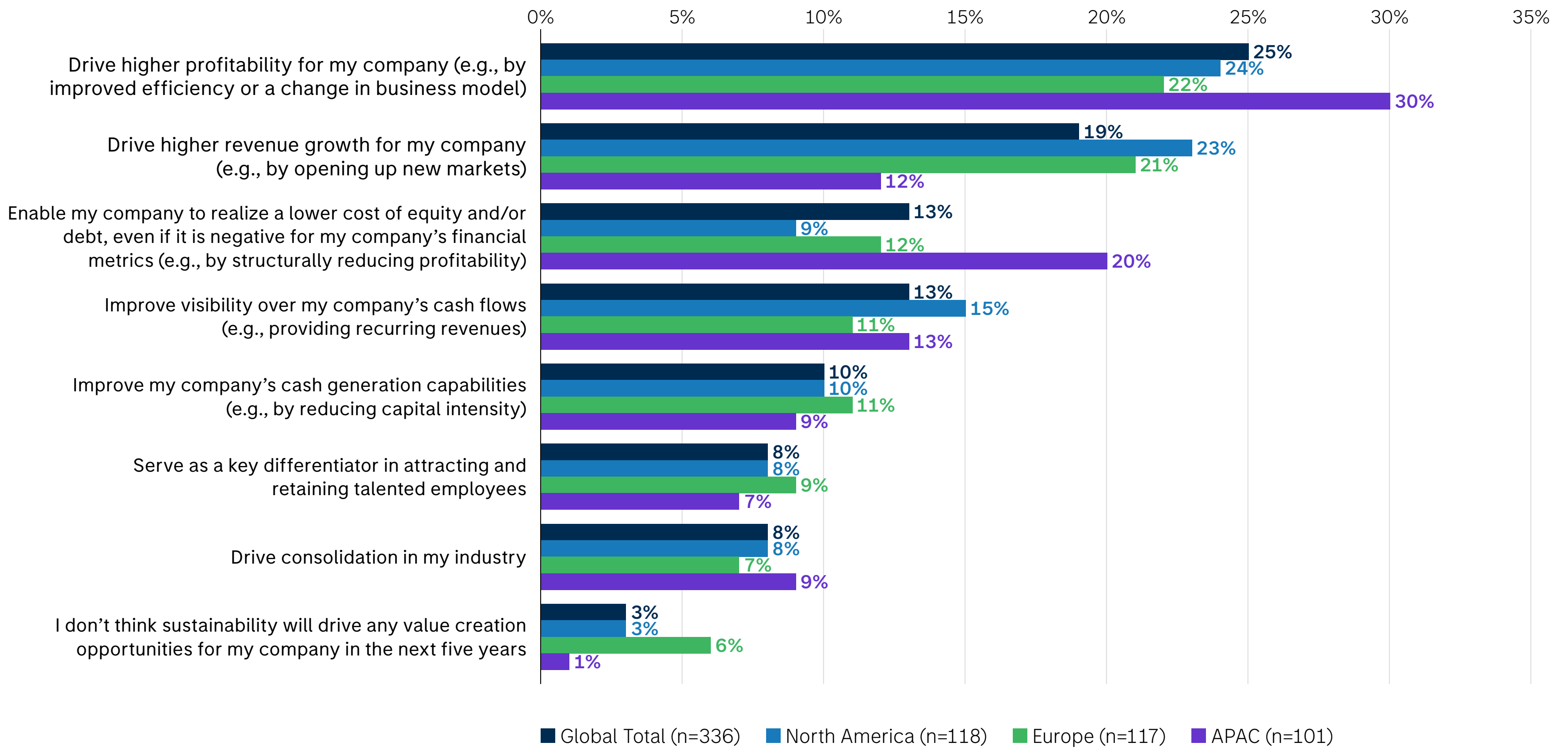
The Next Five Years

Higher profitability leads as the top value driver from sustainability over the next five years, cited by one in four companies

A quarter of companies see increased profitability as the most significant opportunity for sustainability to create value over the next five years. This is the top answer across all three regions.

However, there are also some regional differences: In North America and Europe, companies are especially focused on revenue growth potential, while in APAC, a lower cost of capital emerges as a key opportunity.

What is the primary way sustainability could drive value creation opportunities for your company in the next five years?

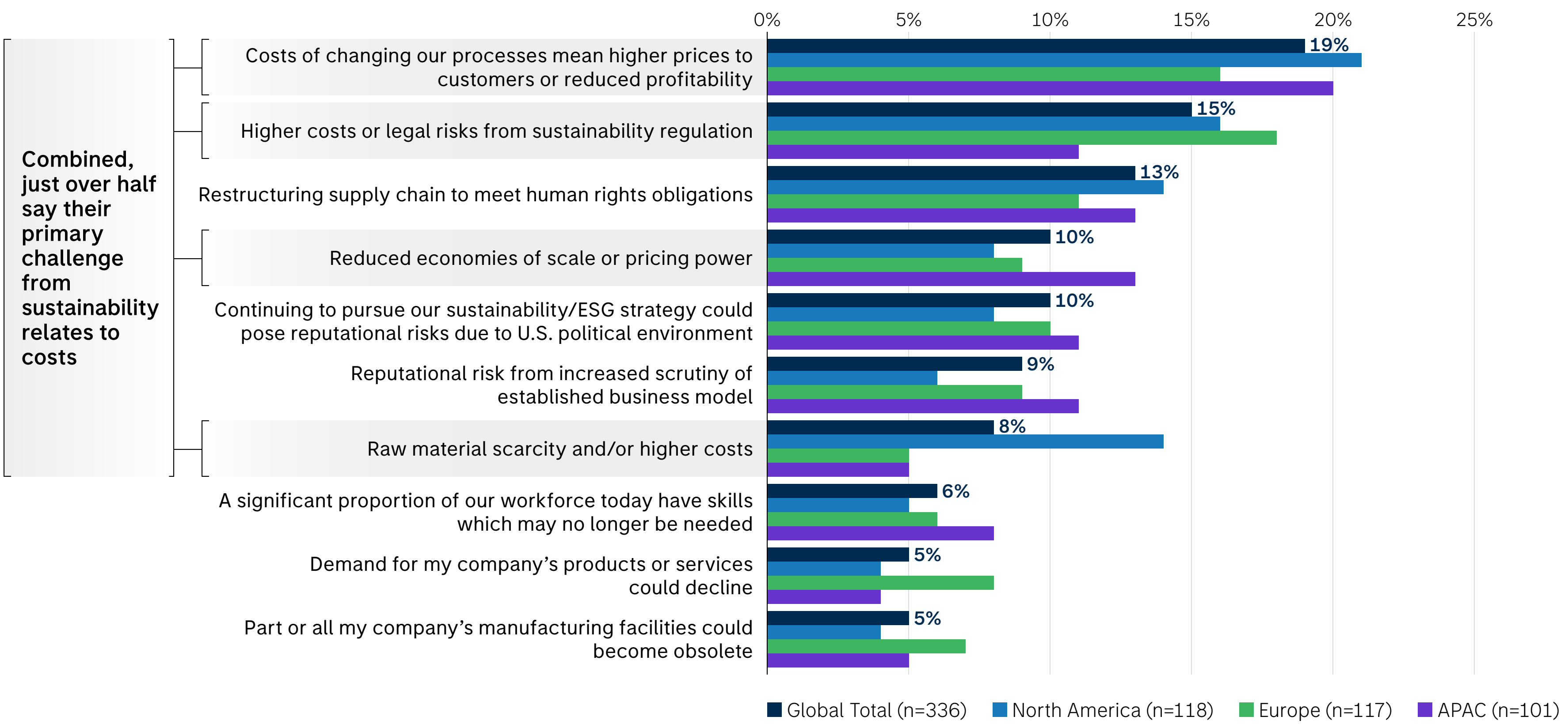


Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025. This question was phrased differently in the 2024 survey, so direct comparisons of percentages are not meaningful.

However, cost pressures remain top of mind: Half of companies cite cost-related challenges as their top barrier

While a quarter of companies see potential for sustainability to boost profitability in the next five years, cost remains a key concern. As in 2024, three of the top four challenges companies identified were cost-related. Altogether, just over half of companies this year cite costs as their leading sustainability challenge, whether from changing existing processes (19%), regulatory changes (15%), reduced economies of scale or pricing power (10%) or higher raw material costs (8%).

What is the primary way sustainability could create challenges for your company in the next five years?



Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025. This question was phrased differently in the 2024 survey, so direct comparisons of percentages are not meaningful.

Opportunities and challenges from sustainability vary significantly by industry

OPPORTUNITIES	CHALLENGES
Consumer Discretionary companies (44%) name higher profitability as the top opportunity—nearly double the global average.	**Communication Services (30%) and Real Estate companies (27%) are most concerned about the costs of changing processes** resulting in lower profitability or higher prices, vs the global average of 19%.
Real Estate companies (27%) see scope to improve visibility over cash flows, such as from recurring revenues (global average 13%), followed by **Health Care companies (22%)**, where this ties with higher profitability.	**Consumer Discretionary companies (25%) cite higher costs or legal risks from sustainability regulation** as their top future challenges, vs 15% of the global total. These concerns also rank top for Utilities companies (22%).
Industrials (15%) believe sustainability could drive consolidation, far above the global average of 8% (although this ranked third behind revenue growth (21%) and profitability (18%) for Industrials.	**19% of Information Technology companies say reputational risks of sustainability** are their top challenge, vs the global average of 10%.
Energy, Materials, Consumer Staples, Financials, Information Technology and Communication Services broadly follow the global averages. Utilities rates higher profitability at just 14%, half the global average, but otherwise broadly follows the same pattern.	**Health Care companies (17%) rank reputational risk from increased scrutiny of an established business model** as their top challenge, highest among that industry and ahead of the global average of 9%.
	Energy, Materials, Industrials, Consumer Staples and Financials broadly follow the global pattern, other than a much higher rate of concern about declining demand among Consumer Staples companies (15%, vs 5% for the global average).

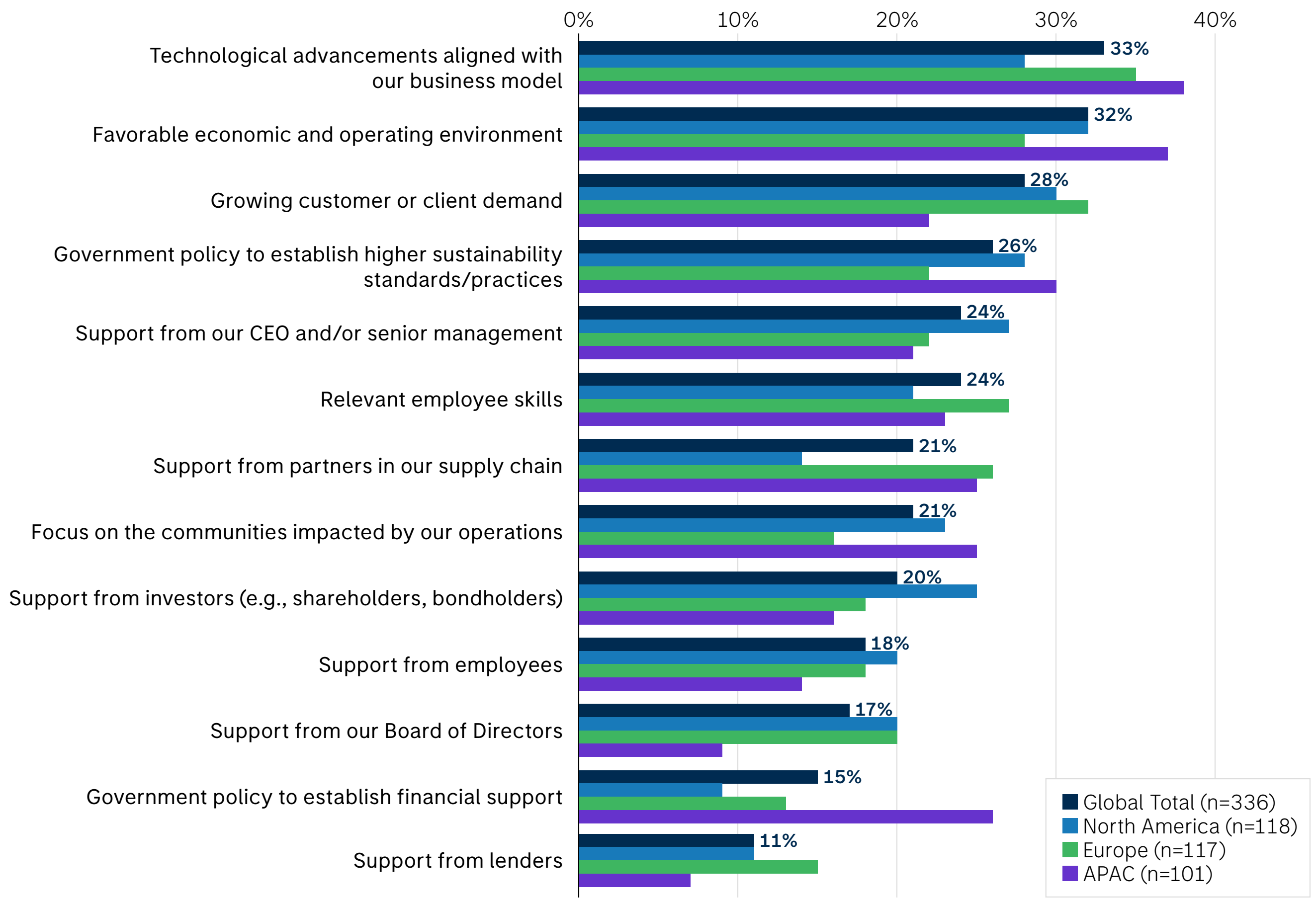
Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.
These questions were phrased differently in the 2024 survey, so direct comparisons of percentages are not meaningful. See pages 35-36 in the Appendix for the full charts.

Technological advances and a favorable economic environment are key enablers for future progress

When asked what enables a successful sustainability strategy, companies most often point to technological advancements (33%), especially in Europe and APAC. For North America, a favorable economic and operating environment is ranked the highest.

Other top enablers include growing customer or client demand and government policy support. APAC respondents emphasize financial support from governments more than companies in other regions (26% vs 13% in Europe and 9% in North America). North American companies are most likely to cite investor support (25% vs 18% in Europe and 16% in APAC).

Please select up to three of the most important factors in delivering on or implementing your sustainability/ESG strategy.



Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.
This question was phrased differently in the 2024 survey, so direct comparisons of percentages are not meaningful.

Regional Headlines

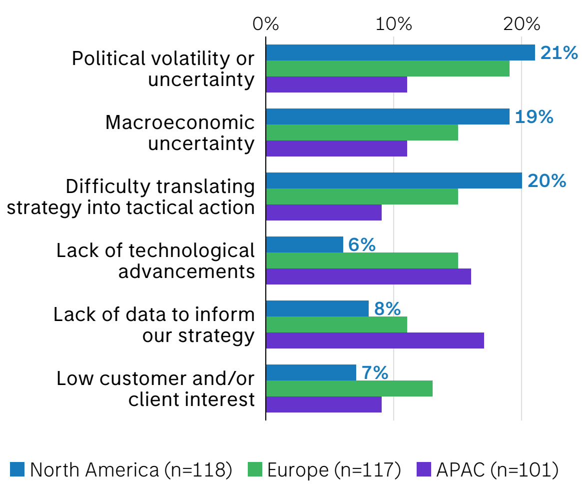
NORTH AMERICA

Most concerned about physical and transition risks from climate today and in the future

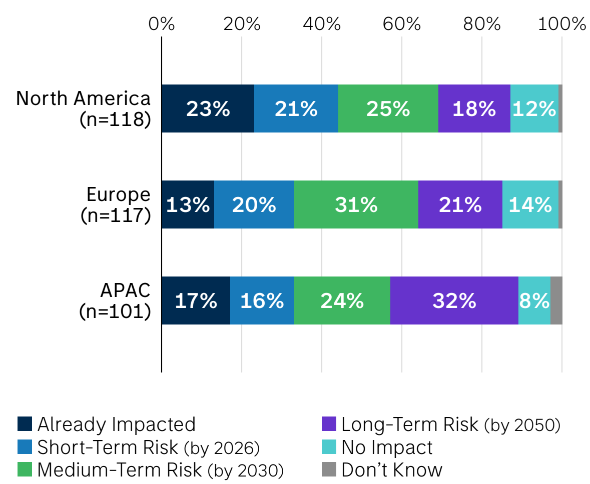
Political and macroeconomic uncertainty, as well as difficulty translating strategy into tactical action, are ranked higher as barriers in North America than in other regions. Technology, data and demand are less problematic. North American businesses are most likely to see climate change as a business model risk today, at 23% compared to Europe at 13% and APAC at 17%. The likelihood of future negative impact from physical and transition risks from climate is rated around ten points higher than Europe and APAC combined.*

Sustainability is primarily a value creation opportunity

Three top barriers to delivering sustainability strategy

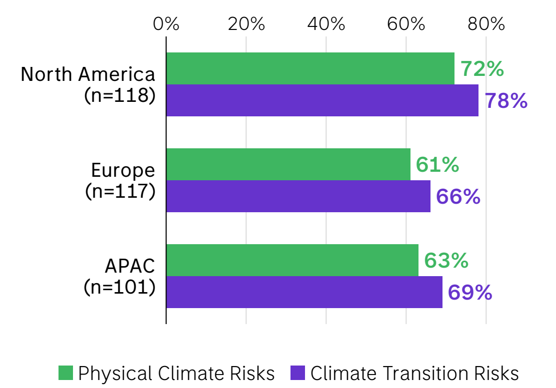


How does your company view climate change as a risk to your business model today?



In the next five years, how likely is it that climate-related events or climate transition risks will negatively impact your operations or business in the following ways?*

Very and somewhat likely

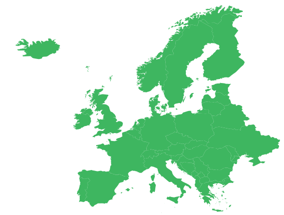


Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.

*See page 34 for the full charts.

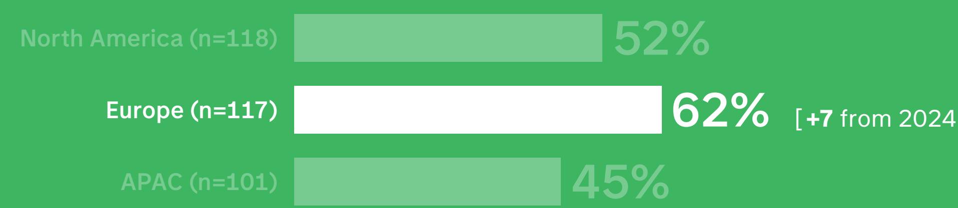
EUROPE

Regulatory-driven costs are still a concern, but other barriers are easing



Higher costs or legal risks from regulation tops the list of potential sustainability challenges for European companies (18% of respondents) while 13% cite low consumer interest as a barrier to delivering on strategy, both ahead of other regions. However, prior year concerns about barriers like regulatory uncertainty and a lack of data are now at similar or lower rates to North America and APAC. Key enablers in delivering sustainability strategies for European companies include growing demand, relevant employee skills and support from lenders. Government policy is ranked less highly as a strategy enabler, perhaps reflecting the more mature regulatory environment in Europe.

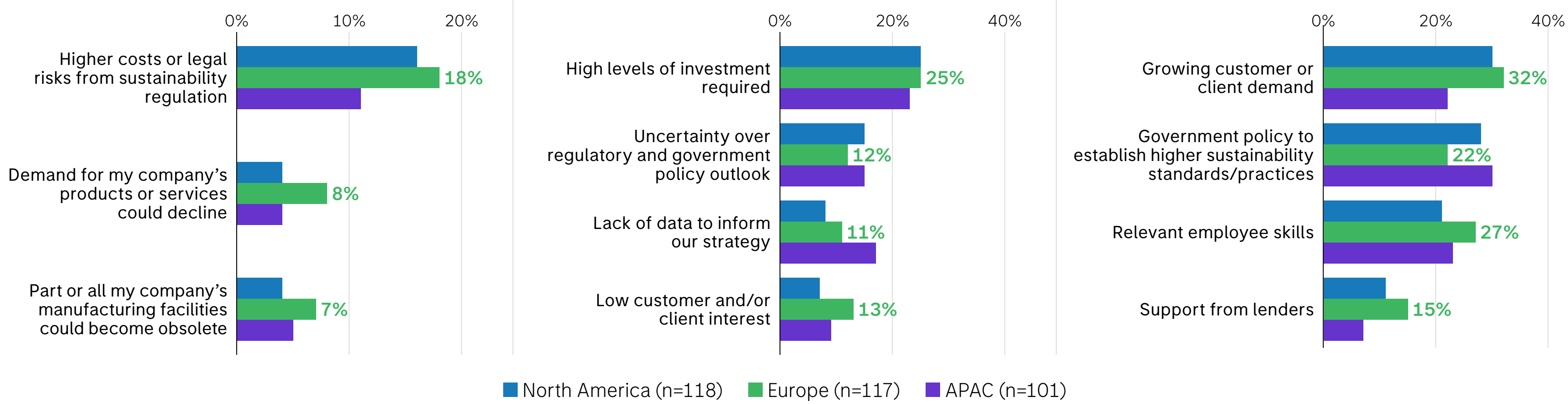
Sustainability is primarily a value creation opportunity



Top sustainability challenge in next five years

Three top barriers to delivering sustainability strategy

Three most important factors in delivering sustainability strategy



Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.

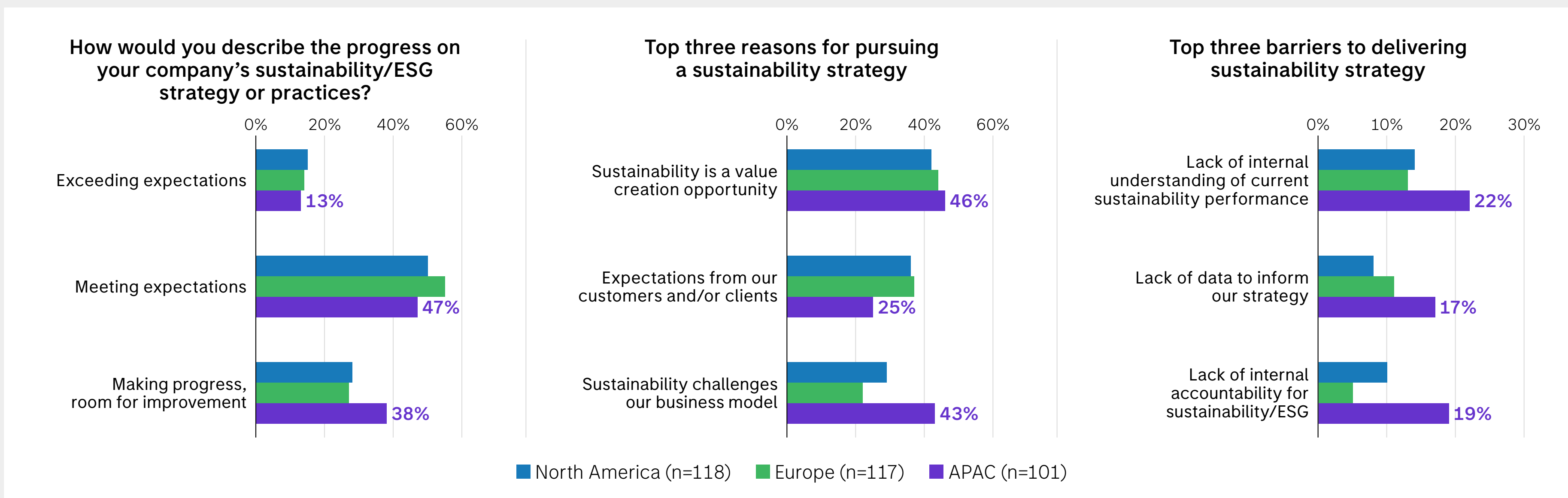
APAC

Shift towards seeing sustainability as risk management, with progress more challenging and internal factors the top barriers

Unlike the other two regions, APAC respondents are less likely to see sustainability primarily as a value creation opportunity (45% vs 52% in North America and 62% in Europe).

In 2025, 43% place sustainability challenged their business model in their top three reasons for pursing a sustainability strategy, well ahead of other regions. 38% note room for improvement on strategic delivery—ten points ahead of North America and Europe. Key barriers to delivery include lack of internal understanding, lack of internal accountability and a lack of data—all substantially higher than other regions.

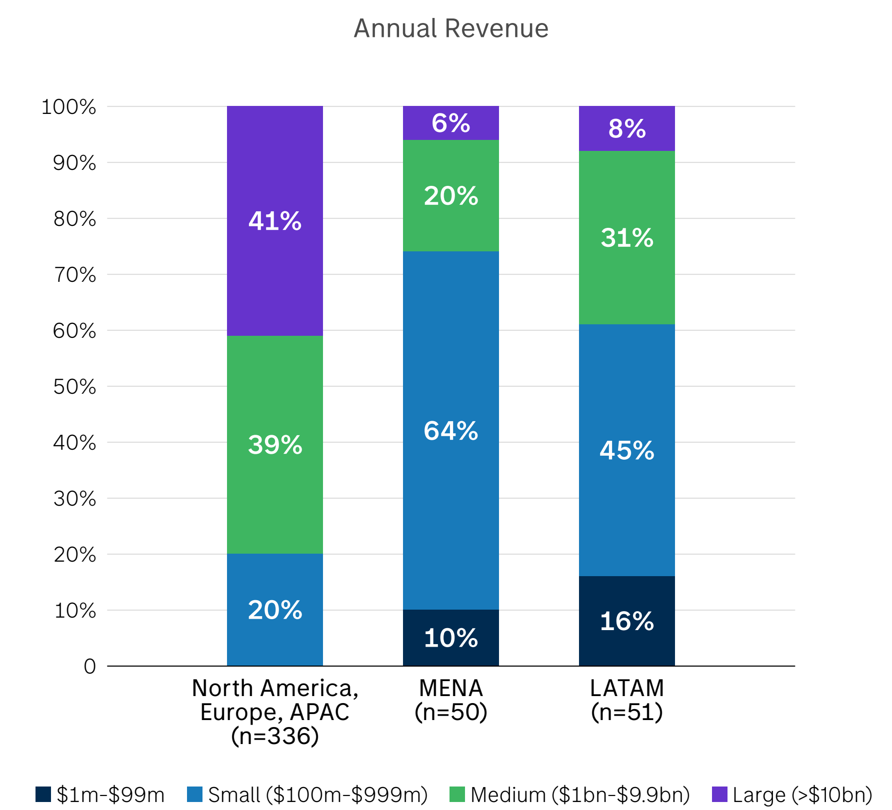
Sustainability is primarily a value creation opportunity

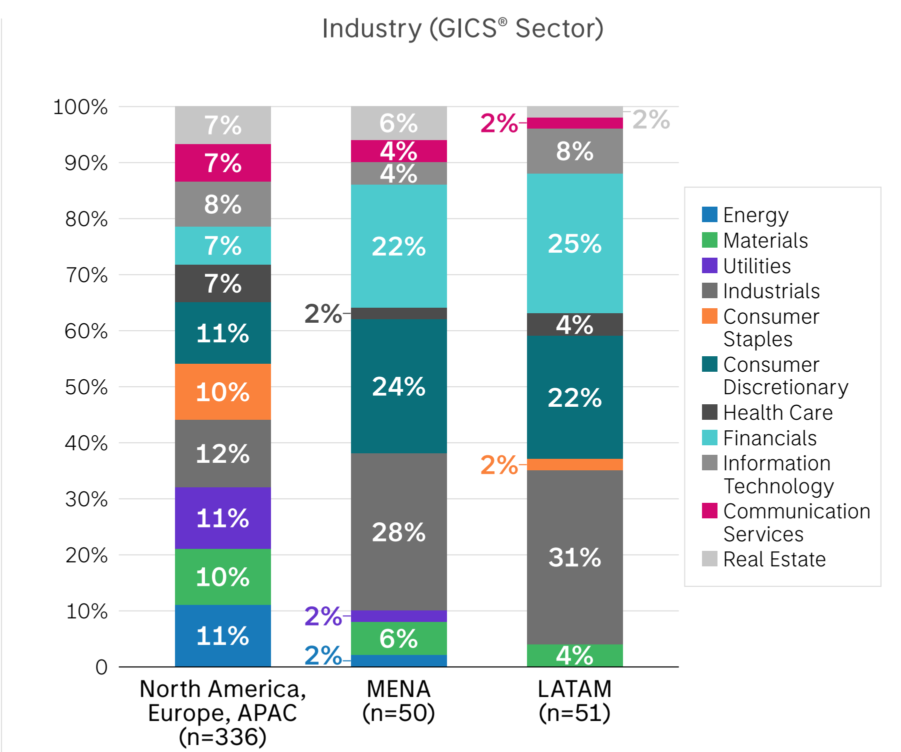


Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.

Expanding to MENA and LATAM for the first time

Seeking views from corporates across a wider range of markets, this year's survey included responses from companies headquartered in the Middle East and North Africa (MENA) and South America (LATAM) regions. For a full country list, see page 31. Responses from these countries are not shown as part of the global total figures, partly to maintain comparability to last year's survey but also because MENA and LATAM were not subject to the same qualifiers and quotas as North America, Europe and APAC. This reflects the smaller number of corporates with revenues in our Large category (>$10bn) in those regions, as well as the skew to a few sectors particularly for listed companies. Around three-quarters of MENA and LATAM responses are from Industrials, Consumer Discretionary and Financials companies. In the following slides, we show the answers for the global small company group to compare with the MENA and LATAM samples, but it does not seem that revenue alone is a major driver of differences in answers.





Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.

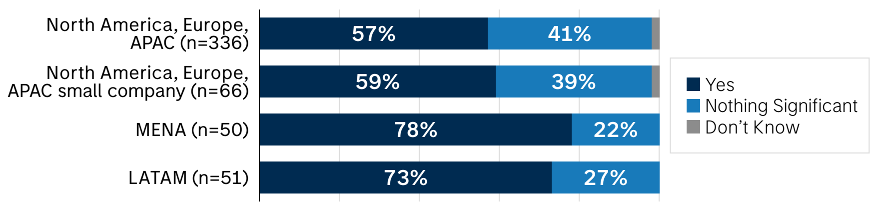
MENA

Highest rates of viewing sustainability as value creation

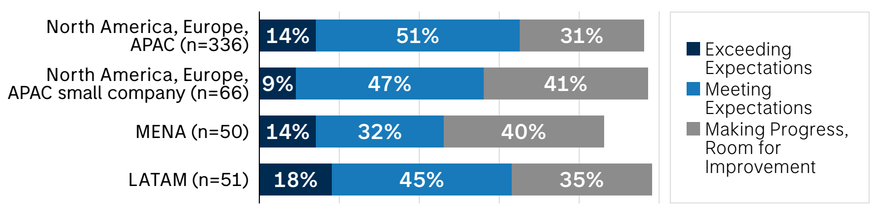
86% of MENA companies see sustainability as a value creation opportunity, well ahead of other regions. MENA respondents are the most likely to have experienced business impact from climate-related events, at 78%, and the most likely to report damage to physical assets from climate events, at 64%. Sustainability strategies in the region are perhaps at an earlier stage, with 40% describing progress as having "room for improvement." "Accessing a lower cost of capital" is seen as the key opportunity, topping the list at 20%; "reduced pricing power or economies of scale" the top challenge (26%).

Sustainability is primarily a value creation opportunity

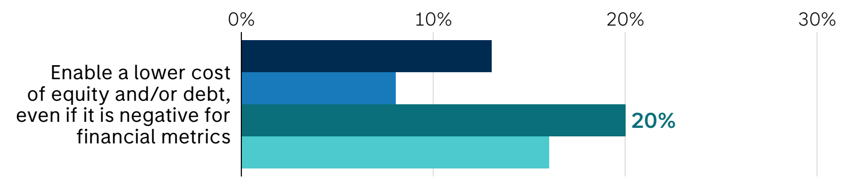
Has your company experienced any climate-related events in the past 12 months which have impacted your operations or business?



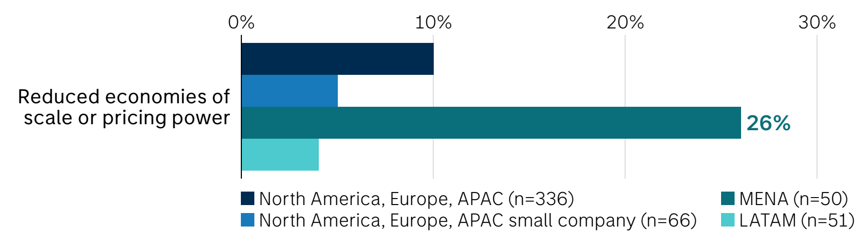
How would you describe progress on your sustainability strategy?



Top sustainability opportunity next five years



Top sustainability challenge next five years



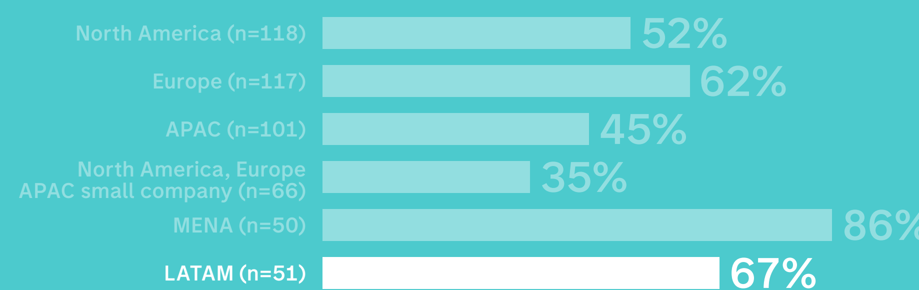
Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.

LATAM

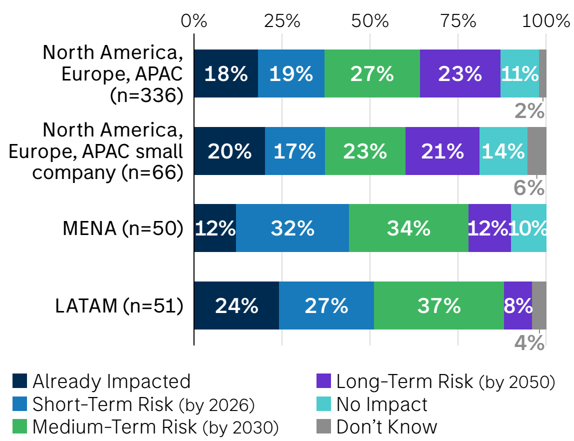
88% expect climate change to pose a business model risk by 2030, but two-thirds still see sustainability as value creation

By 2030, 88% of LATAM respondents expect climate change to be a business model risk, 25 points ahead of North America, Europe and APAC. They are also the most likely to report cost pressures or revenue loss due to climate events, at 61% and 53%, respectively. However, 67% still see sustainability as primarily about value creation, with higher profitability and revenue growth the two top opportunities (22%). Top challenges include "raw material availability or pricing" (18%), followed by the risk of manufacturing obsolescence (14%).

Sustainability is primarily a value creation opportunity

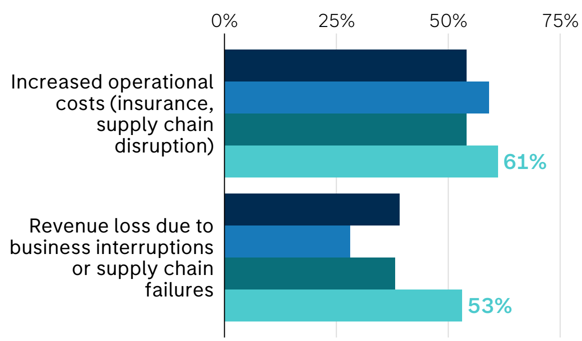


How does your company view climate change as a risk to your business model today?

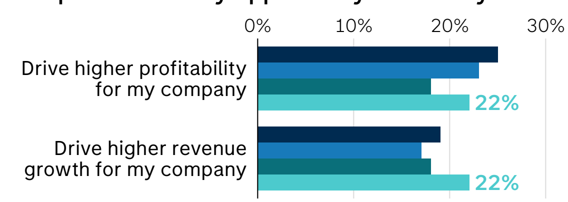


How have these severe weather events due to climate change impacted your operations or business in the last 12 months?

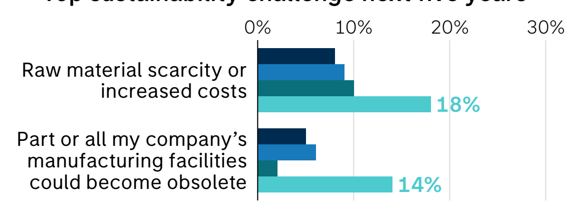
Those who have experienced impact



Top sustainability opportunity next five years



Top sustainability challenge next five years



North America, Europe, APAC (n=336) North America, Europe, APAC small company (n=66) MENA (n=50) LATAM (n=51)

Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.

Sample Design

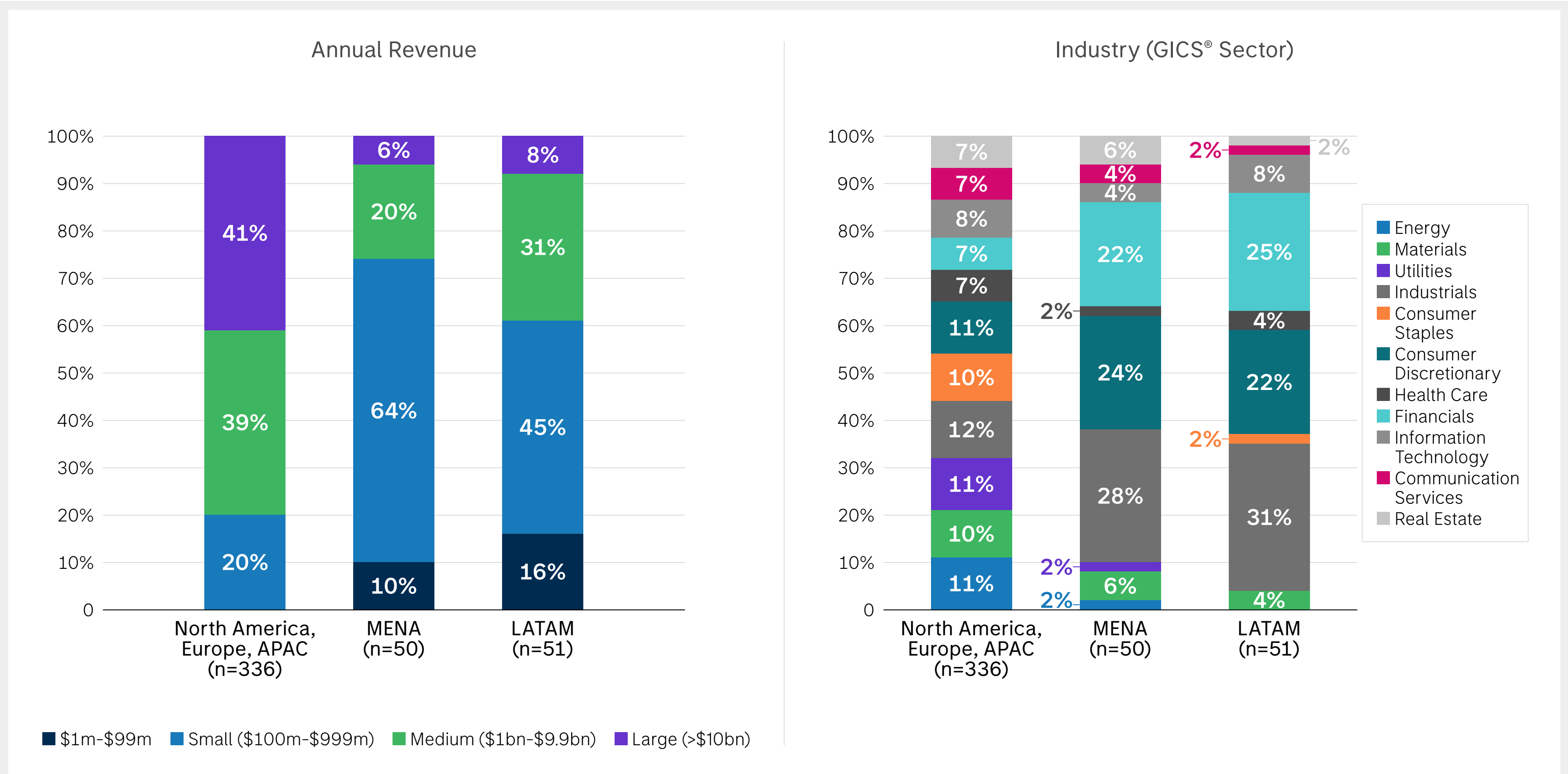
Sample Design: Quotas

		GLOBAL	NORTH AMERICA	EUROPE	APAC	MENA (NEW FOR 2025)	LATAM (NEW FOR 2025)
Total		336	118	117	101	50	51
OWNERSHIP		**Quota ~50/50 public/private**				**No quota**	**No quota**
Publicly Listed		171	62	59	50	20	25
Privately Held		165	56	58	51	30	26
ANNUAL REVENUE (USD)		**Quota ~20/40/40 small/medium/large**				**No quota**	**No quota**
<$100m		None	None	None	None	5	8
Small ($100m–$999m)		66	26	20	20	32	23
Medium ($1bn–$9.9bn)		131	40	51	40	10	16
Large (>$10bn)		139	52	46	41	3	4
INDUSTRY (GICS® SECTOR)		**Quota ~33/33/33 high/medium/low emitters**				**No quota**	**No quota**
High Emitters*	Energy	36	11	13	12	1	0
	Materials	35	1	13	11	3	2
	Utilities	37	5	19	13	1	0
Medium Emitters*	Industrials	39	16	12	11	14	16
	Consumer Staples	34	15	12	7	0	1
	Consumer Discretionary	36	12	13	11	12	11
Low Emitters*	Health Care	23	7	8	8	1	2
	Financials	25	11	7	7	11	13
	Information Technology	26	11	8	7	2	4
	Communication Services	23	8	8	7	2	1
	Real Estate	22	11	4	7	3	1
RESPONDENT ROLE						**No quota**	**No quota**
Dedicated Sustainability Function		186	56	67	63	14	16
Other Function		150	62	50	38	36	35

*GICS® refers to the industry classification; the high/medium/low emitters distinction was made separately to seek a broad range of responses.

Sample Design: Adding MENA and LATAM

Seeking views from corporates across a wider range of markets, this year's survey included responses from companies headquartered in the Middle East and North Africa (MENA) and South America (LATAM) regions. Responses from these countries are not shown as part of the global total figures, partly to maintain comparability to last year's survey but also because MENA and LATAM were not subject to the same qualifiers and quotas as North America, Europe and APAC. This reflects the smaller number of corporates with revenues in our Large category (>$10bn) in those regions, as well as the skew to a few sectors particularly for listed companies. Around three-quarters of MENA and LATAM responses are from Industrials, Consumer Discretionary and Financials companies.



Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.

Sample Design: Countries

NORTH AMERICA		EUROPE		APAC		MENA		LATAM	
Canada	9	Austria	10	Australia	5	Kuwait	14	Argentina	8
Mexico	10	Belgium	2	China (excluding SARs and Taiwan)	28	Qatar	13	Brazil	10
United States of America	99	Denmark	4	India	29	Saudi Arabia	13	Chile	12
		Finland	5	Japan	31	United Arab Emirates	10	Colombia	6
		France	15	New Zealand	2			Panama	5
		Germany	14	Malaysia	1			Peru	10
		Ireland	2	Philippines	3				
		Netherlands	3	Singapore	2				
		Norway	0						
		Spain	15						
		Sweden	3						
		Switzerland	23						
		United Kingdom	21						
Total	**118**	**Total**	**117**	**Total**	**101**	**Total**	**50**	**Total**	**51**

Sample Design: Definitions

THE FOLLOWING DEFINITIONS WERE PROVIDED TO RESPONDENTS, IN ADDITION TO THOSE NOTED ON PAGE 3:

Greenwashing	False or misleading information used to persuade the public about the sustainable impacts of an organization's products or services.
Climate Transition Rsks	Policy changes, market shifts, technological disruptions, and evolving investor and consumer expectations arising from the energy transition.
DEI	Refers to diversity, equity, and inclusion.
Sustainable Improver	A company that investors may not consider sustainable today but shows clear potential for improvement.

Full detail of resilience areas on page 14:

Infrastructure & Physical Resilience: Upgrading facilities to withstand extreme weather events, such as floods, wildfires, and hurricanes

Supply Chain Adaptation: Diversifying suppliers and integrating climate risk assessments into procurement decisions to mitigate disruptions

Financial Risk Management: Conducting scenario analysis to assess financial risks related to climate change and integrating climate factors into investment decisions

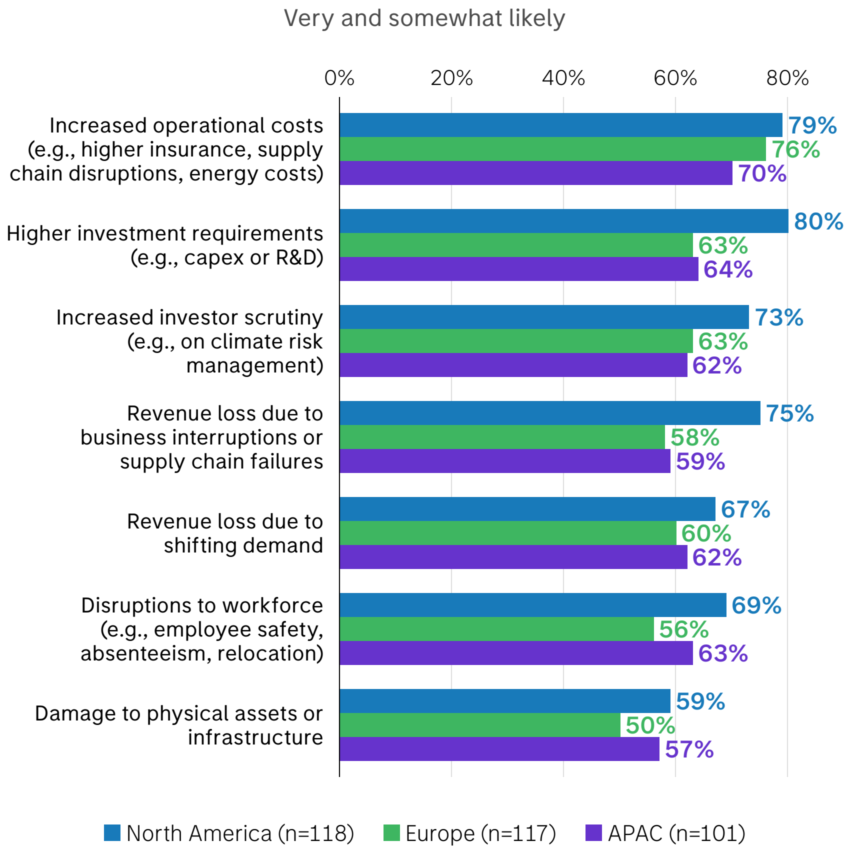
Employee & Community Preparedness: Implementing training programs for employees and engaging with local communities to support disaster preparedness and response efforts


Appendix

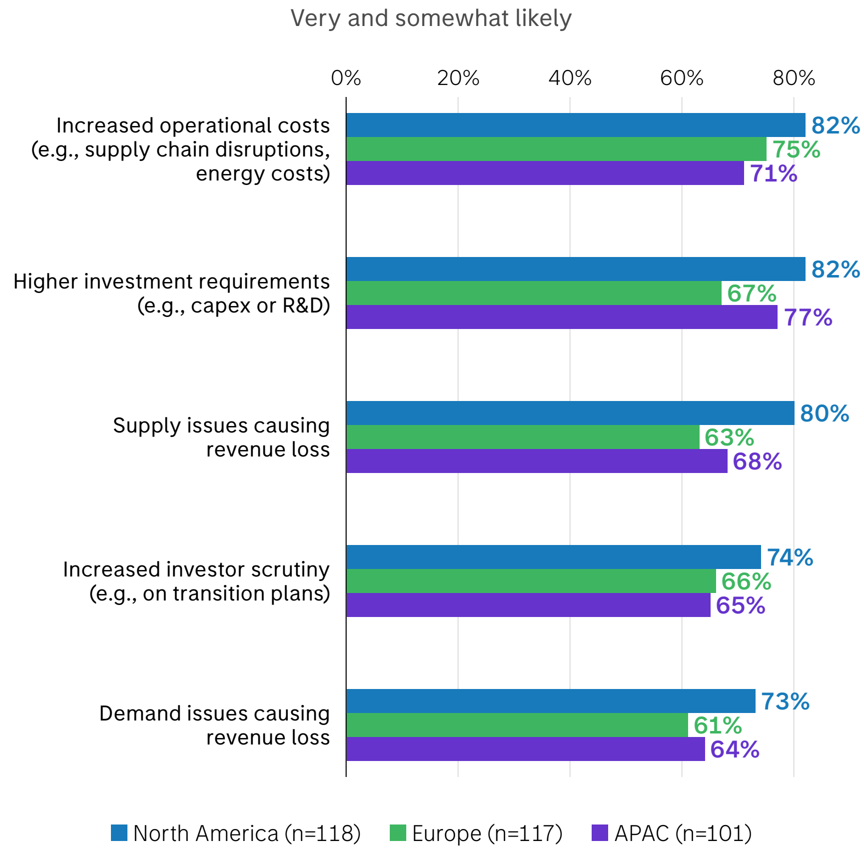
Appendix—North America

NORTH AMERICA COMPANIES REPORT CONCERN ABOUT PHYSICAL AND TRANSITION CLIMATE RISKS AT RATES 6 TO 17 POINTS HIGHER THAN THE AVERAGE OF EUROPE AND APAC

In the next five years, how likely is it that climate-related events will negatively impact your operations or business in the following ways?



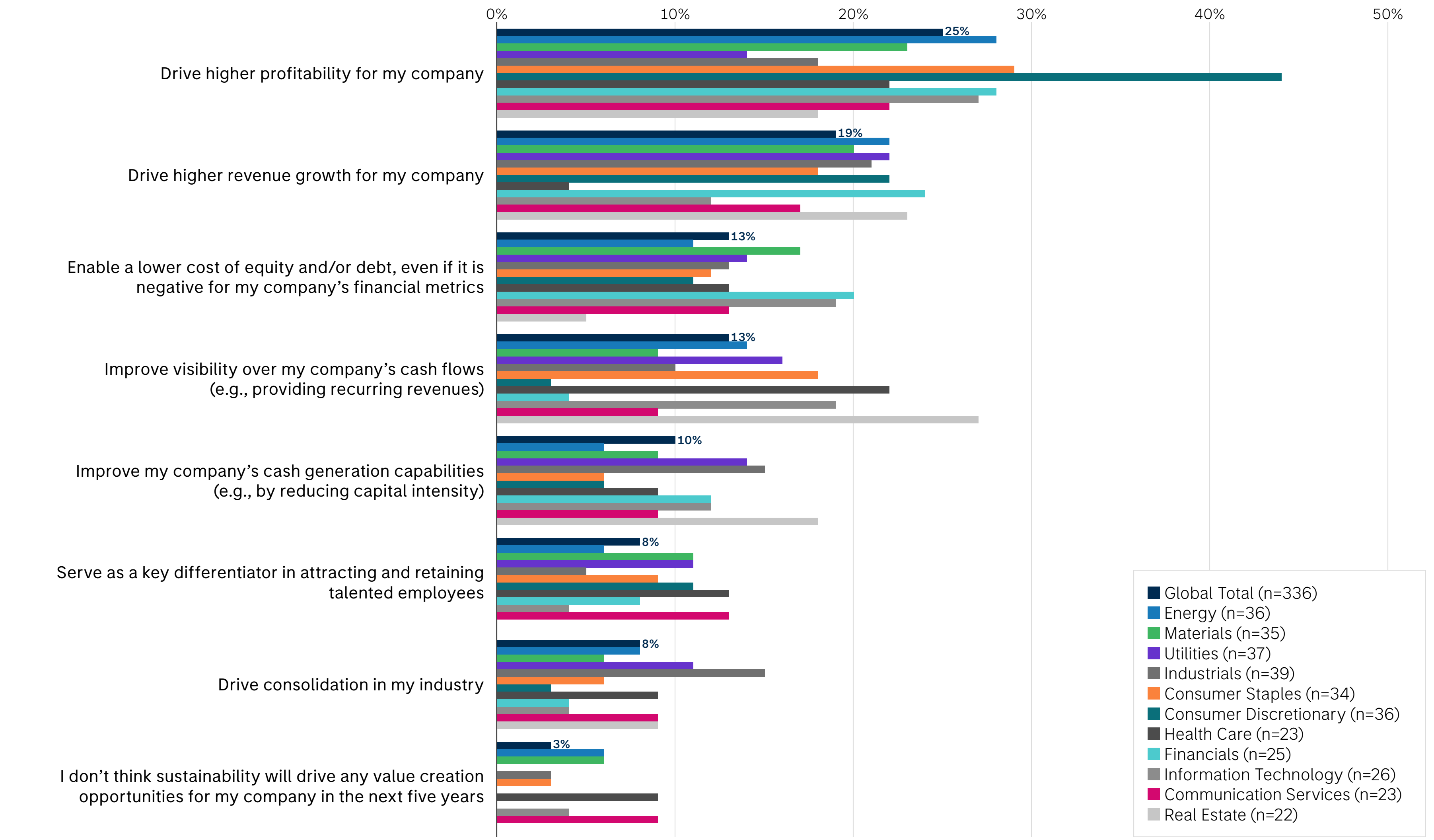
In the next five years, how likely is it that climate transition risks will negatively impact your operations or business in the following ways?



Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.

Appendix—Opportunities by Industry

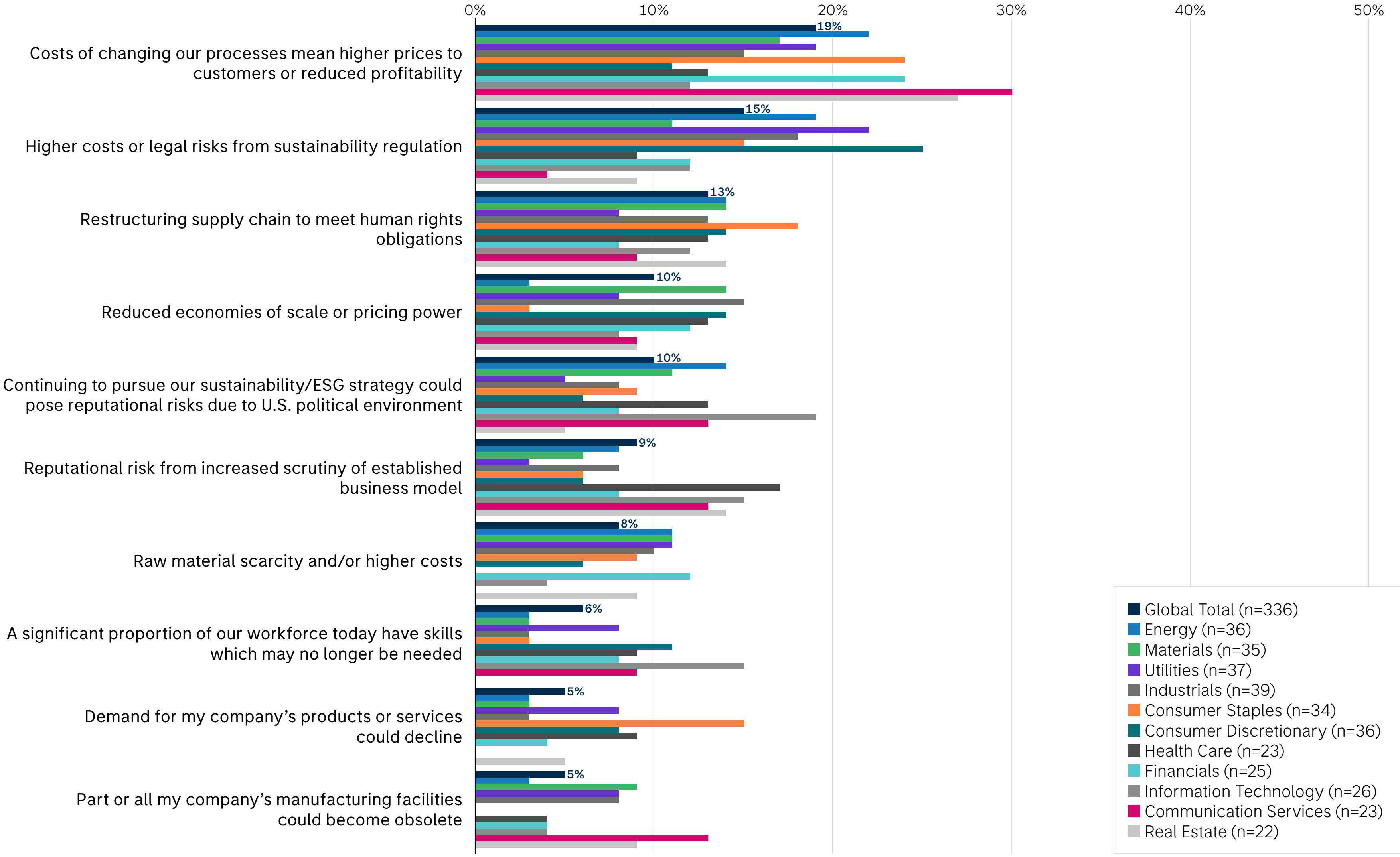
What is the primary way sustainability could drive value creation opportunities for your company in the next five years?



Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.

Appendix—Challenges by Industry

What is the primary way sustainability could create challenges for your company in the next five years?



Source: Morgan Stanley Institute for Sustainable Investing, June 2025. Data as of April 11, 2025.

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